

A Work Project, presented as part of the requirements for the Award of  
a Masters Degree in Management from the Faculdade de Economia da  
Universidade Nova de Lisboa.



Mariana Sousa Rego nº 377

A Project carried out on the management course, with the supervision of:

Professor Stefan Meisiek

06.01.2010

**EXECUTIVE SUMMARY**

“Cangurus” is a company that runs kindergartens inside companies. The objective is to provide child care service for companies with knowledge workers. Given the lack of kindergartens in Lisbon it would solve two problems at the same time.

Cangurus’ value of this project is the ability to split the costs between employer and employee and in this way provide the service at half the price.

The potential market is companies with more than 285 knowledge workers. There are 119 that have that profile (e.g. Hospital da Luz, Vodafone, Clínica Cuf Cascais, and L’Oreal). We need to have access to Top Management in order to explain and sell our service. They are the decision makers. Since they are not easy to reach we want to partner with people that easily access them. We have to partner with two high profile individuals who have agreed to work with us.

The level of confidence that parents have on a kindergarten strongly depends on the childhood educators. We count on having the best working with us. Our competitors are the private kindergartens. They are expensive and not enough. Their advantage is the know-how and the loyalty of their costumers.

Ours is the low price, the proximity between children and parents and the impact that it brings to the work environment. It increases productivity, lowers the absenteeism and tardiness rate and is a powerful tool to retain talents.

We only need to build one kindergarten to breakeven.

The social capital will be 100 000 Euros and it will be provided by an angel investor that will also be the advisor in the project.

In 5 years, we expect to have at least 7 kindergartens functioning.

## TABLE OF CONTENTS

|   |     |
|---|-----|
| 1. On-Site Child Care .....                                 | 3   |
| 1.1. Definition .....                                       | 3   |
| 1.2. History .....  | 3   |
| 1.3. Abroad .....   | 4   |
| 1.4. Advantages .....                                       | 4   |
| 1.5. Difficulties .....                                     | 5   |
| 2. Cangurus .....   | 6   |
| 2.1. Mission .....  | 6   |
| 2.2. Vision .....   | 6   |
| 2.3. Values .....   | 6   |
| 2.4. Growth Plan .....                                      | 6   |
| 2.5. Potential Market .....                                 | 7   |
| 2.6. Target Market .....                                    | 8   |
| 2.7. Competition .....                                      | 8   |
| 2.8. Indirect Competition .....                             | 8   |
| 2.9. Direct competition .....                               | 9   |
| 2.10. Competitive advantages .....                          | 11  |
| 3. Marketing Plan .....                                     | 13  |
| 3.1. Service .....  | 14  |
| 3.2. Brand .....  | 14  |
| 3.3. Promotion and communication .....                      | 15  |
| 3.4. Price and sales forecasts .....                        | 15  |
| 4. Management .....   | 16  |
| 5. Milestones .....   | 18  |
| 6. Financial Analysis .....                                 | 19  |
| 7. Best and Worst Case Scenario .....                       | 221 |
| 8. Conclusion .....   | 221 |
| 9. Sources .....  | 22  |
| Exhibit I – Balance Sheet (Assets) .....                    | 23  |
| Exhibit II – Balance Sheet (Equities and Liabilities) ..... | 24  |
| Exhibit III - Income Statement .....                        | 25  |

## **1. ON-SITE CHILD CARE**

### **1.1. Definition**

On-site child care is a child care centre located inside the parent's place of employment.

### **1.2. History**

Before the 25<sup>th</sup> April revolution, companies were supposed to be the “family” of its employees. Employees and employers were loyal to each other. At that time almost everybody worked the entire life for the same company. That is why there were many of them with onsite child care centers, especially for white collar employees (e.g. Grupo CUF, the biggest in Portugal). The other employees had their wives at home and mates that would take care of their children.

After the revolution, everything changed. Women started to work, divorce was legal and the globalization process started. The relationship between employer/employee is cold. On one hand, consumerism increases, on the other hand the birth rate decreases. Women stopped having children in order to be free to work and increase the family income.

In the last 5 years, the presence of women in the labor force is still growing. The government has started to introduce incentives to increase the birth rate. However, there is a lack of kindergartens in Portugal. Only in Lisbon, it is necessary to build 76 more. Working parents feel guilty to spend too much time at work. Their guilt leads to tardiness and absenteeism. It also reflects on the decrease of productivity, which is bad for the employer.

Onsite child care centers may be the answers to solve the problem for the employers, the employees and the State.

In Portugal, the majority of the companies do not provide such service. However, this is starting to change. Recently, the group “Auchan” has announced that they will sponsor 4 kindergartens on their facilities. Each of them has a 132 children capacity.

### **1.3. Abroad**

There are many companies that already offer this benefit to its employees. One third of the 100 best companies to work for have on-site child care on their facilities, according to Fortune Magazine. Google, Goldman Sachs, Cisco Systems, Ohio Health Care are some examples of it.

The trend is to outsource this service. Therefore there are many companies specialized in outsourcing this service. In the US, they started twenty years ago. “KinderCare Learning Centres”, “La Petite” and “Bright Horizons” are American companies that provide such service.

In Europe, it only begins in the last 7 years. The reason is that there is a lack of kindergartens. Also, with the increasing number of women in the labour force, the society stops misjudging the mothers that leave their children in kindergartens, instead of being at home with them.

“Babilou” is a French company that in 2009 has won the prize of “The Company of the Future” given by Ernest and Young. They operate in companies such as: L’Oreal, Nestlé and DANONE.

“MásBebés” is a Spanish child care provider that has planed to build 30 to 40 kindergartens in the next 10 years. Besides that, companies such as “Mercadona” (82 children) and “Banco Santander” (400 children) have already built kindergartens on their facilities.

### **1.4. Advantages**

Onsite child care brings advantages for both employers and employees.

#### *Employer*

The companies that outsource that service are able to focus on their core business and delegate the responsibility to another entity.

Onsite child care centres increases companies’ performance. Working parents feel more relaxed and are able to focus on their work more time and in more engaged way, becoming more

productive. It also avoids child care arrangements which mean a significant decrease on the absentness and tardiness rate.

It is a factor of attraction and retention of employees. Onsite child care is an important factor of decision when people are deciding to accept or leave a job. Find a place to leave their children is a long process for the parents. It involves time and money. It is a problem that people want to solve once in a lifetime. Plus, children get attached to the place and to their childhood educator. Therefore, if they are using this service on the company they work for, they will think twice before leaving it. On the other hand, if a company with onsite child care offers them a job, they will have an extra incentive to accept.

By sponsoring this benefit to their employees, companies can also deduct their investment on taxes, considering it a cost. The image and values of a company that provides such service is appreciated by the community and the employees.

#### *Employees*

For the employees, this service is a way to spend more time with their children. They can save time in the morning and at the end of the day, since they are both going to the same place. And they can be with them at lunch time if they want too. If they need to stay at work extra hours there is no problem either. Employees know that if something happen to their kids, they are right there. They also take advantage of the lower price of the service, since it is partially sponsored by the employer. By doing this, they are able to save on average more than 200 Euros per month. This will make possible to spend the money on other activities that can give them more pleasure.

### **1.5. Difficulties**

The difficulty of this business is the high initial investment and the fact that it only reflects its benefits in the long run. For instance, a kindergarten with a capacity of 50 children requires an

initial investment (on average) of 164 000 Euros. The companies that want this service have to be healthy or have prospects of growth.

In a crisis scenario it is more difficult to find companies with such prospects.

## 2. CANGURUS

### 2.1. Mission

The purpose of our company is to help all the working parents to conciliate their work with their family. We want to provide a win-win solution for employers and employees.

### 2.2. Vision

We want all knowledge workers to have access to our service. We want to be the first answer for employers who need to outsource this service.

### 2.3. Values

“Cangurus” will be inspired by the following values: family, efficiency and progress.

*Family:* we want to shorten the distance between parents and children.

*Efficiency:* we want to be a fast and low cost solution for companies.

*Progress:* we want that knowledge workers do not have to choose between family and work. By making this happen, those people can focus on work and contribute in a more committed way for progress.

### 2.4. Growth Plan

Our growth plan is summarized on the following table:

|                     | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | TOTAL |
|---------------------|--------|--------|--------|--------|--------|-------|
| Number of companies | 0      | 1      | 2      | 2      | 2      | 7     |

Table 1 - Growth Plan



During the first year we are going to negotiate the first kindergarten. One possibility is for “Grupo Espírito Santo”, they have the head quarters of BES and the insurance company “Tranquilidade”. If the deal is closed we will open it only during the second year.

Besides “Grupo Espírito Santo” we also have “Grupo Mello” that might be interested in such service. They have several hospitals and clinics that have employees with 24 hour shifts. According to the Human Resources Director, this is an interesting service for this area. However he will only consider it when the economy is stable again. The forecasts of the fourth and fifth year are the results of the previous sales. If companies are satisfied with the service their competitors can purchase the service as well.

## **2.5. Potential Market**

Our potential market is companies with high knowledge workers. Those companies have to employ at least 285 workers. There are 119 companies that fulfill those conditions.

### *Why high knowledge workers?*

Only knowledge workers can afford a service that costs 200 Euros/month, which is why I am focusing on them.

### *Why at least 285 workers?*

A company that may be interested on our service has to employ at least 285 employees. Our objective is to have a minimum of 50 children signed in.

According to INE, people have their first child at 28 years old (on average). The age group that mater is the one from 25 to 34 years old. 25% of the labor force belongs to this age group. Therefore, we will assume on the calculations that 25% of the workers of each company has one child. We will also assume that from those 25% workers, only 70% of them will be interested on our service. This will lead to the 285 employees.



There are 298 121 companies in Portugal. If 99.6% of them are PME, it leaves us with 1192 companies. From those 1192 we are only interested on those who have a significant percentage of knowledge workers. We are going to assume that it represents 10% of those. Thus, our potential market is 119 companies.

#### *Examples*

Deloitte, Hospital da Luz, Oracle, Glaxo Smith, Boston Consulting Group, Banco Espírito Santo, Clínica Cuf Cascais, Novabase, Chipidea and Vodafone.

### **2.6. Target Market**

Our target market is the companies (described previously). However, it is the knowledge workers that are going to decide if they want to take advantage of the service. These people are constantly stressed for leaving their children too much time alone. They earn an income above 2000 Euros on average per month. They are used to give the best for their children. That is why we are going to benchmark with the best kindergartens.

#### Competition

There are 3 main substitutes: regular kindergartens, nannies and family. The last two are difficult to find and expensive. The one that matters is the first one: regular kindergartens. There are not enough kindergartens in Portugal. Your options are: private kindergartens, IPSS (you pay according your revenues) or the public kindergartens.

### **2.7. Indirect Competition**

#### *Public kindergartens*

Public kindergartens are all subsidized by the Portuguese State and have long waiting lists. In Lisbon they are almost inexistent (4 only) for children from 0 to 3 years old. Children from 3 to 5

years old have more chances to be accepted in a public kindergarten. Public kindergartens have good quality according the childhood educators we have interviewed.

According to the same childhood educator (she had worked in private and public kindergartens), people from higher classes are reluctant to put their children in public schools because they don't want to mix their children with the ones that belong to lower classes. In her opinion, public schools are a cheaper and better solution.

According to the articles we have read, the quality of the public schools is random. It depends on the neighborhood they are built but mainly on the childhood educators' willingness to work. The only way to check it is to visit and talk to the parents that have their children there. The trend is to turn public kindergartens into IPSS.

#### *IPSS*

IPSS monthly payments are made according to the parent's revenue. The rest is subsidized by the social security. In Lisbon, they represent 68% of the kindergartens for 0 to 3 years old and less than 49 % to children from 3 to 5 years old. According to the DN revue it is necessary to build more 76 kindergartens in Lisbon. The quality of those kindergartens varies a lot from place to place. We have visited the worse and the better.

IPSS quality also varies a lot. It is proportional to the prices variations. In spite of those quality variations; IPSS always have long waiting lists.

### **2.8. Direct competition**

#### *Private kindergartens*

We have talked with a childhood educator from Sintra with 20 years of experience. According to her, there are two types of private kindergartens. One has poor quality and is most of the time illegal on security and staff aspects. Sometimes it is even worse than the public ones. In most of the cases people put their kids there because they don't have other options, since there are

waiting lists in other places. Regarding the prices, they keep charging prices between 500 to 600 Euros (food included), which is very expensive for the quality offered.

In spite of those “frauds” that hopefully tend to disappear, there are professional kindergartens as well. Those are rare but are the ones that we benchmark with. We have to consider them our competition since there are no kindergarten chains focusing only on companies.

When I analyze kindergartens I pay attention to 3 main aspects: the prices, the facilities and the team.

### *Facilities*

A professional kindergarten is clean. The façade and the interior of the facility are fresh painted. It has classrooms of at least 30 m<sup>2</sup> each. It has a classroom for each age group. The rooms are enlightened, and the temperature is smooth. The furniture is new and safe.

### *Team*

According to law, each classroom has to have at least one childhood educator and one assistant. The maximum number of children per classroom is 10 for one year old, 15 for two years old and 25 for 3 to 5 years old. Professional kindergartens have to respect those ratios.

Childhood educators are the face of the team. However, it is very difficult to evaluate them as a whole. Their work depends on their willingness to challenge children. It also depends on their daily patience, which decreases along the years. In spite of the subjectivity of this work, there are some ways to identify a good childhood educator.

The first one is the university. The best ones are “Maria Ulrich School” and “João de Deus School”. The second thing is the experience. However, find the right childhood educator depends on the person that is hiring. It has to be someone with experience and the ability to sense if the interviewee will fit to the job.

Another detail that matters is the dress code of the staff, everyone wears a uniform.

### *Prices*

Private kindergartens charge very high prices. In many cases they are higher than some private college fees. However, those prices are not clear at first. When you are comparing prices you have to consider all the extras you are going to use, otherwise you can be mistaken.

Private kindergartens have initial monthly payments as expensive as some private universities, from: 300 to 600 Euros. The food is on average: 95 to 120 Euros/month. Extra hours cost on average: 30 Euros/ hour/month.

### *Examples*

Os Mestrinhos, O Parque, Colégio Europeu Astória, Xururuca.

## **2.9. Competitive advantages:**

The added value of our business is to split the costs between employer and employee. And in this way, supply the same service as the competition at lower price.

Let's see an example of a 50 children kindergarten.

### *Facility*

To make a professional kindergarten facility look professional, we have to adapt or construct the space. According to an architect we talked to, they usually charges 750 Euros/m<sup>2</sup> to do the works. And their payment is generally 4% of it.

The works cost plus the equipment cost leaves us with 164 000 Euros. This is the price that we are going to charge a company that wants to build a kindergarten in its facilities. Therefore, even tough it is an important cost; it will not represent a cost for us. However, we are counting that they charge us a rent.

### *Team*

High qualified childhood educators come from "Maria Ulrich School" or "João de Deus School". Their wages varies from 804 Euros to 2406 Euros. It depends on their year's experience. The



ideal is to start with childhood educators with no experience and one (the coordinator) with at least 10 years of experience. This means wages of 804 Euros and 1530 Euros respectively.

Hiring no experienced people has two advantages. The first one is the lower costs it implies. Besides that, younger people have more energy to work and are easier to adapt to our values and way of work. However to choose the right ones we will need an excellent coordinator. To attract an experienced childhood educator to work with us we have to offer more than a good salary. According to the people of that area, an experienced childhood educator has to feel challenged by the job. One way of challenging him/her is to give her the responsibility and freedom to manage the team. Apparently they prefer recognition than money.

The childhood assistants do not need especial qualifications. They are a help for the childhood educators but they do not teach. The best is to choose young people with enough energy. Their wages can be close to 520 Euros and do not increase much along the years. A professional team will cost us: 8830 Euros per month. This represents our biggest cost.

#### *Price*

The price is our competitive advantage. We can offer a high quality service at almost half the price of the competition. This will be possible due to the companies' contribution and to the use of some of their synergies.

We will charge two prices: one to the employers and one to employees.

#### *Employer's prices*

Employers will be charged two times. The first time will be before the kindergarten is built. They will pay for the works and the necessary equipment: 164 000 Euros. This amount can be considered a cost, and be deducted in taxes. This represents a monthly cost per employee of: 39.63 Euros.

The second time will be the 20 % contribution on the monthly payments of each child of  $0.2 \times 250 \times 50 = 2500$  Euros. This will represent a cost of 33.23 Euros per month per employee. Therefore, if a company builds an on-site child care to its employees it will incur in an average monthly cost of 73 Euros per employee. (Taxes free).

*Is it worth for the company?*

This is worth for the company for three reasons. First because the benefit perceived by the employees is higher than it had cost to the company. The average market price of a private kindergarten is 400 Euros. The company is providing the service at 200 Euros for the employees, incurring in a 73 Euros cost. Therefore, the benefit perceived by the employees is 200 Euros, but in reality it only had cost to the company 73 Euros. The second reason is the losses in productivity avoided. Besides that, the company will split the costs and the risks with us. They will be free of all the responsibility that kindergartens involve including the staff payrolls.

*Employee's price*

According to my financial analysis, employees will be charged 200 Euros per month. This is a very competitive price. As I have explained previously, the average price of a private kindergarten is 400 Euros. Therefore, if those employees are looking for a place to put their kids they will not find a cheaper place than the one offered by the company. In this way they will be able to save on average **200 Euros** per month and spend them in other things that can give them more pleasure. To sum up, our competitive advantages is to offer the service at a lower price improving the work environment.

### **3. MARKETING PLAN**

### **3.1. Service**

We are going to build and run kindergartens inside companies. It will respond to the needs of high skilled employees that feel guilty to not spend enough time with their children.

*How can 119 companies be aware of our service?*

Companies will be aware of our service through our sales people. Our sales people are someone that has strong relationships with one or more companies. Their job will be to communicate our existence. They have to focus on Top Management.

*How and why would those sales people work with us?*

These people have usually a high education level and are interested in the community. Our service is more than a profitable business. It is a contribution to the development of the work environment. It is a community service that strengthens the families. Therefore, those “sales people” are first of all believers of this project. However, since it is a profitable business, it is fair to pay them a fee. I already have two people from that fulfill that profile and are willing to be part of the team in case the project happens. One is from Grupo Mello and the other is from Grupo Espírito Santo.

*Educational method*

We will follow the “João de Deus” educational method. The biggest difference toward the other ones is the fact that it teaches children to read before 5 years old through the “Cartilha Maternal.

### **3.2. Brand**

The name of the company will be “Cangurus”. It came up because cangurus carried their babies until they are sufficiently strong to leave by themselves. This matches with the concept of the business. Our concept is to allow parents to stay close to their kids until they are 5 years, which exactly the time that psychologists claim that humans need to form their personality.



### **3.3.Promotion and communication**

There will be no promotion or communication, beside our site, during the first years.

### **3.4.Price and sales forecasts**

#### *Employer*

The employer will be charged two times. One time it will be charged one big amount but only once (e.g.:164 000 Euros), the other time a small amount but forever (e.g.: 2500 Euros/month). To convince an employer to make such investment it will take more than a good project or a good team. It will be necessary that the company interested is healthy, because it is a significant investment that is only profitable in the long run. Therefore the company must have prospects of profits and growth, besides the knowledge workers with babies or planning to have one.

#### *Employees*

Regarding the employees, we are confident. If they have revenues above 2000 Euros and have children in that age range. They only have advantages, it is cheaper than other private kindergartens and it will allow them to have their kids just next door. Plus, if they want they can spend more time with them, during the lunch time or the home travel. All the working mothers we have talked to said it is a great idea and they would be thrilled to have access to such service at their work places

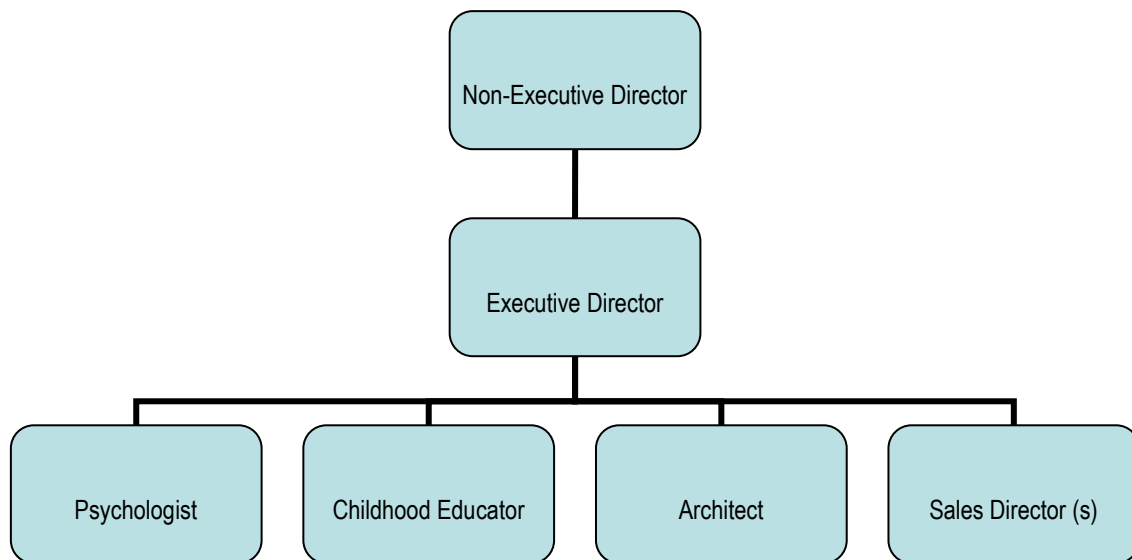
#### *Sales forecasts*

In spite of the working parents' acceptance of this service in their work place, the acceptance of the employers is not so easy. That is why we have only predicted the sale of one kindergarten on the second year. On the following years, if the employer is happy with the result of the first kindergarten it will pass the word and others might get interest into it. But let's keep in mind that 1 kindergarten is enough to reach the breakeven.



#### 4. MANAGEMENT

“Cangurus” will be composed by the following team:



**Organigram 1 – Cangurus' team structure**

This team is going to work on each kindergarten opening.

Let's make a brief description of each member and explain its relevance in our project.

##### *Non-Executive Director*

The job of the non-executive director is to guide the executive director. He will give prestige to the project due to its past experience on business and management work. This person is going to be António Sousa Rêgo. The most relevant part of his curriculum is his work at José de Mello Residências e Serviços (JMRS) Deputy-Manager as a member of the executive board of JMRS, a company dedicated to providing residential and home assistance solutions to third generation. This is relevant because residential assistance have many operational tasks similar to kindergartens such as: the food arrangements, the equipments purchase and the recruitment process.

##### *Executive Director*

My name is Mariana Sousa Rêgo and I am going to be the executive director. I am graduated in management and I am finishing my master in the same area. My job in “Cangurus” is to be in charge of all the operational tasks such as the staff recruitment, the contact with the sales directors, the food arrangements, the works control and the equipment purchase. I will also be responsible for the treasury and all the financial issues regarding the parents’ payments.

#### *Childhood Educator Coordinator*

The Childhood Educator Coordinator has to be someone young with at least 10 years of experience. According to the people of the area we have talked to, the ideal is to have someone in their 30’s, young enough to start something new but with the responsibility and experience necessary to manage a team of childhood educators. This person is going to be responsible for the recruitment and management of all the childhood educators and their assistants. She will have to recruit them according to our pre-requisites: they have to come from “Maria Ulrich” or “João de Deus School” and they have to be recently graduated. If they fulfil both requisites their interview is the decisive factor and it is the coordinator responsibility.

The assistants have to be younger than 30 years old and have training on the area.

The coordinator will decide the activity program followed during the year and make sure that it is respected. She will also be in charge of the parents meetings and complains.

#### *Sales Director*

Those people will be the bridges between “Cangurus” and the companies. They have strong relationships with Top Management of the big companies. At the moment we have two people interested in being on board. One is from Grupo Mello and the other is from Grupo Espírito Santo.

#### *Architect and psychologist*

They will be part of the team although they will not be “Cangurus” employees’. They will be paid by project.

## 5. MILESTONES

We are going to summarize the main tasks required to build a kindergarten after a contract is signed with a company.

*1. Conduct a need assessment.*

This will allow us to know the number of children interested in sign up and their ages.

*2. Hire an architect*

*3. Determine the features of the kindergarten*

E.g. the size of the classrooms, the spaces needed.

*4. Start the works*

After approving the project of the architect the works can start.

*5. Hire the childhood educator and the psychologist*

*6. Define the activity program*

The activity program is a document wrote by the childhood coordinator. It describes the activities and tasks that the children are going to do during the year. It also requires the psychologist approval.

*7. Start the legalization process of the kindergarten*

*8. Order the furniture and the didactical material*

*9. Make the food arrangements*

If the company has its own cafeteria, there might be possible to order more meals. Otherwise, we will have to talk with a catering service.

*10. Hire the staff*

*11. Train the staff*

Before start working, the staff needs to be trained. They will learn the company's values and philosophy. They will be aware of the dress code, their schedules and the activity program. Besides all that, they will be taught what to do if an emergency situation happens.

#### *12. Start the admission process*

Clarify the parent's doubts about our service and receive the enrolment payments.

#### *13. Open the kindergarten*

### **6. FINANCIAL ANALYSIS**

"Cangurus" will be a register as a limited company. The owners will be the business angel with 80% and I with 20%. The social capital (100 000 Euros) will be provided by the business angel. All numbers are supported by the balance sheet (Exhibit I) and the income statement (Exhibit II and III). During the document we have been assuming that it is not profitable to build and run kindergartens for less than 50 children.

#### *Why 50 children?*

It is mandatory to have a maximum of children per classroom and childhood educator. If I have 25 children signed in, I can breakeven or not, it will depend on the age group they belong. If they are older than 3 years old, I can have them only in one classroom and hire only one childhood educator and one childhood assistant. But, if some of those 25 children are younger than 3 years old and some are not, I can not put them in the same classroom. I would also have to hire one childhood educator and one assistant more. This means a significant cost increase.

Since the working parents only have 5 months maternity license, it would not make sense to ignore their children when they are younger than 3 years old. Besides, once the parents sign up their children on a kindergarten they tend to leave him there. So, if we only provide this service for

children younger than 3 years old, we would risk losing them as clients, when they will be older than 3. With 50 children, we will breakeven despite the age of the children signed in.

### *Synergies*

Previously on this document I have talked about taking advantage of the synergies of the companies. My financial analysis does not take advantage of any synergy that a company might have. However they will exist in most of the cases. Taking advantage of it is something positive for us, for the employer and in some cases for the employees.

The following table summarizes the sales and costs that a kindergarten implies to be possible to charge a total price of 250 Euros.

| <b>Costs</b>            | <b>Value (€)</b> |
|-------------------------|------------------|
| Payrolls                | 105.940          |
| Rent                    | 33.600           |
| Food                    | 36.300           |
| Water, Gas, Electricity | 16.050           |
| Internet                | 300              |
| Phone                   | 1.200            |
| Didactical Material     | 500              |
| Insurance               | 1.500            |
| <b>TOTAL COSTS</b>      | <b>195.390</b>   |
| <b>TOTAL SALES</b>      | <b>198.890</b>   |
| <b>TOTAL PROFITS</b>    | <b>29.590</b>    |

Table 2 – Kindergarten's costs and sales

Imagine the employer do not charge rent. My costs will be 33 600 Euros lower. If we keep charging the same price, the employer will have no advantage on not charging me rent. That is why we are going to deduct it on the total price. Now, the new total price is 200 Euros. This means that, before the employer was making a 50 Euros monthly contribution, and the employee had to pay only 200 Euros/month. Now, it is up to the employer. He can make his monthly contribution cost 0 Euros. Or, he can maintain his monthly contribution and make his employees pay less than the 200 Euros.

*How does it benefit "Cangurus"?*

“Cangurus” will benefit from those synergies as a sales strategy. Showing a transparent attitude, companies will increase their trust on our company.

## **7. BEST AND WORST CASE SCENARIO**

### *Best case scenario*

The forecasts are underestimated and we can sell 5 kindergartens per year after the second year. Even though we will need extra staff, we believe that we have a structure sufficiently strong to face the unexpected demand.

### *Worst case scenario*

If the sales of the first kindergarten do not happen, I do not start the business. However, I will not loose money since I only start to invest after the first kindergarten is sponsored. If the first kindergarten fails, the investor will loose 100 000 € and I will lose 2 years of work.

## **8. CONCLUSION**

Working parents are feeling guilty to spend all day far from their children. Stop working is not an option for the majority of them since they need the money.

In Lisbon, private kindergartens are expensive and have long waiting lists. “Cangurus” offers the cheapest solution for working parents. Creating a solution that enables them to spend more time with their children.

Employers will also benefit from this service by increasing their productivity, lowering the absentness and tardiness rate. Their investment can be deducted on taxes. It will also have a positive impact on the companies’ image.

Besides that, all the synergies provided by the employer will lower the total price charged.

On-site child care centres are a win-win solution for both employers and employees.

## SOURCES

I have consulted the following websites:

- [www.geracaochupeta.com](http://www.geracaochupeta.com)
- [www.exame.com](http://www.exame.com)
- [www.oparque.com](http://www.oparque.com)
- [www.nncc.org](http://www.nncc.org)
- [www.babilou.com](http://www.babilou.com)
- [www.masbebes.es](http://www.masbebes.es)
- [www.brighthorizons.com](http://www.brighthorizons.com)
- [www.cincodías.es](http://www.cincodías.es)
- [www.dn.sapo.pt](http://www.dn.sapo.pt)
- [www.publico.pt](http://www.publico.pt)
- [www.ine.pt](http://www.ine.pt)
- [www.wikipedia.com](http://www.wikipedia.com)
- [www.money.cnn.com](http://www.money.cnn.com)
- [www.babiestoday.com](http://www.babiestoday.com)
- [www.ey.com](http://www.ey.com)
- [www.masbebes.es](http://www.masbebes.es)
- [www.canalmujer.terra.mhn](http://www.canalmujer.terra.mhn)

I also consulted the EXAME magazine of December 2009.

## EXHIBIT I – BALANCE SHEET (ASSETS)

| Assets                            | Year 1           |               |                  | Year 2           |                 |                  | Year 3            |                 |                   | Year 4            |                  |                   | Year 5            |                  |                   |
|-----------------------------------|------------------|---------------|------------------|------------------|-----------------|------------------|-------------------|-----------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
|                                   | Assets           | amort.        | Net Assets       | Assets           | amort.          | Net Assets       | Assets            | amort.          | Net Assets        | Assets            | Amortiz e provi. | Net Assets        | Assets            | Amortiz e provi. | Net Assets        |
| <b>Tangible assets</b>            |                  |               |                  |                  |                 |                  |                   |                 |                   |                   |                  |                   |                   |                  |                   |
| <b>Tangible assets</b>            |                  |               |                  |                  |                 |                  |                   |                 |                   |                   |                  |                   |                   |                  |                   |
| Office equipment                  | 2.000,00         | 666,66        | 1.333,34         | 2.000,00         | 1.333,32        | 666,68           | 2.000,00          | 2.000,00        | 0,00              | 2.000,00          | 2.000,00         | 0,00              | 2.000,00          | 2.000,00         | 0,00              |
|                                   | 2.000,00         | 666,66        | 1.333,34         | 2.000,00         | 1.333,32        | 666,68           | 2.000,00          | 2.000,00        | 0,00              | 2.000,00          | 2.000,00         | 0,00              | 2.000,00          | 2.000,00         | 0,00              |
| <b>Intangibles</b>                |                  |               |                  |                  |                 |                  |                   |                 |                   |                   |                  |                   |                   |                  |                   |
| <b>Stocks</b>                     |                  |               |                  |                  |                 |                  |                   |                 |                   |                   |                  |                   |                   |                  |                   |
| Goods                             |                  |               | 0,00             |                  |                 | 0,00             |                   |                 | 0,00              |                   |                  | 0,00              |                   |                  | 0,00              |
|                                   | 0,00             | 0,00          | 0,00             | 0,00             | 0,00            | 0,00             | 0,00              | 0,00            | 0,00              | 0,00              | 0,00             | 0,00              | 0,00              | 0,00             | 0,00              |
| <b>Debt (short run)</b>           |                  |               |                  |                  |                 |                  |                   |                 |                   |                   |                  |                   |                   |                  |                   |
| Customers                         |                  |               | 0,00             |                  |                 | 0,00             |                   |                 | 0,00              |                   |                  | 0,00              |                   |                  | 0,00              |
| Bad debt                          |                  |               | 0,00             |                  |                 | 0,00             |                   |                 | 0,00              |                   |                  | 0,00              |                   |                  | 0,00              |
| Suppliers                         |                  |               | 0,00             |                  |                 | 0,00             |                   |                 | 0,00              |                   |                  | 0,00              |                   |                  | 0,00              |
| State                             |                  |               | 0,00             |                  |                 | 0,00             |                   |                 | 0,00              |                   |                  | 0,00              |                   |                  | 0,00              |
| Other debts                       |                  |               | 0,00             |                  |                 | 0,00             |                   |                 | 0,00              |                   |                  | 0,00              |                   |                  | 0,00              |
|                                   | 0,00             | 0,00          | 0,00             | 0,00             | 0,00            | 0,00             | 0,00              | 0,00            | 0,00              | 0,00              | 0,00             | 0,00              | 0,00              | 0,00             | 0,00              |
| <b>Cash</b>                       |                  |               |                  |                  |                 |                  |                   |                 |                   |                   |                  |                   |                   |                  |                   |
| Cash at banks                     | 51.011,75        |               | 51.011,75        | 69.084,43        |                 | 69.084,43        | 114.758,95        |                 | 114.758,95        | 200.955,99        |                  | 200.955,99        | 324.420,95        |                  | 324.420,95        |
| Cash at hands                     |                  |               | 0,00             |                  |                 | 0,00             |                   |                 | 0,00              |                   |                  | 0,00              |                   |                  | 0,00              |
|                                   | 51.011,75        | 0,00          | 51.011,75        | 69.084,43        | 0,00            | 69.084,43        | 114.758,95        | 0,00            | 114.758,95        | 200.955,99        | 0,00             | 200.955,99        | 324.420,95        | 0,00             | 324.420,95        |
| <b>Accrued and deferral costs</b> |                  |               |                  |                  |                 |                  |                   |                 |                   |                   |                  |                   |                   |                  |                   |
| Defferal costs                    |                  |               | 0,00             |                  |                 | 0,00             |                   |                 | 0,00              |                   |                  | 0,00              |                   |                  | 0,00              |
|                                   | 0,00             | 0,00          | 0,00             | 0,00             | 0,00            | 0,00             | 0,00              | 0,00            | 0,00              | 0,00              | 0,00             | 0,00              | 0,00              | 0,00             | 0,00              |
| Total amortizations               |                  | 666,66        |                  |                  | 1.333,32        |                  |                   | 2.000,00        |                   |                   | 2.000,00         |                   |                   | 2.000,00         |                   |
| Total provisions                  |                  | 0,00          |                  |                  | 0,00            |                  |                   | 0,00            |                   |                   | 0,00             |                   |                   | 0,00             |                   |
| <b>TOTAL ASSETS</b>               | <b>53.011,75</b> | <b>666,66</b> | <b>52.345,09</b> | <b>71.084,43</b> | <b>1.333,32</b> | <b>69.751,11</b> | <b>116.758,95</b> | <b>2.000,00</b> | <b>114.758,95</b> | <b>202.955,99</b> | <b>2.000,00</b>  | <b>200.955,99</b> | <b>326.420,95</b> | <b>2.000,00</b>  | <b>324.420,95</b> |



## EXHIBIT II – BALANCE SHEET (EQUITIES AND LIABILITIES)

|  | YEAR 1           | YEAR 2           | YEAR 3            | YEAR 4            | YEAR 5            |
|--|------------------|------------------|-------------------|-------------------|-------------------|
| <b>Equity Reserves and Retained Earnings</b> |                  |                  |                   |                   |                   |
| <b>Equity</b>                                |                  |                  |                   |                   |                   |
| Capital                                      | 100.000,00       | 100.000,00       | 100.000,00        | 100.000,00        | 100.000,00        |
| Reserves:                                    |                  |                  |                   |                   |                   |
| Legal reserves                               |                  |                  |                   | 2.009,33          | 5.029,14          |
| Free Reserves                                |                  |                  |                   |                   |                   |
| Retained earnings                            |                  | -48.166,66       | -31.943,22        | 6.234,10          | 63.610,41         |
| Net income of the year                       | -48.166,66       | 16.223,44        | 40.186,65         | 60.396,11         | 103.664,26        |
| <b>Total Equity</b>                          | <b>51.833,34</b> | <b>68.056,78</b> | <b>108.243,43</b> | <b>168.639,55</b> | <b>272.303,81</b> |
| <b>Liability</b>                             |                  |                  |                   |                   |                   |
| <b>Debts to third parties</b>                |                  |                  |                   |                   |                   |
| Suppliers                                    |                  |                  |                   |                   |                   |
| Loans  |                  |                  |                   |                   |                   |
| Other shareholders                           |                  |                  |                   |                   |                   |
| State and other entities                     | 511,75           | 1.694,33         | 6.515,52          | 32.316,44         | 52.117,15         |
| Other lenders                                |                  |                  |                   |                   |                   |
|  | 511,75           | 1.694,33         | 6.515,52          | 32.316,44         | 52.117,15         |
| <b>Accrues and deferrals</b>                 |                  |                  |                   |                   |                   |
| Accrued costs                                |                  |                  |                   |                   |                   |
|  | 0,00             | 0,00             | 0,00              | 0,00              | 0,00              |
| <b>TOTAL LIABILITIES</b>                     | <b>511,75</b>    | <b>1.694,33</b>  | <b>6.515,52</b>   | <b>32.316,44</b>  | <b>52.117,15</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>          | <b>52.345,09</b> | <b>69.751,11</b> | <b>114.758,95</b> | <b>200.955,99</b> | <b>324.420,95</b> |

### EXHIBIT III - INCOME STATEMENT

|   |                   | Year 1     |           | Year 2     |            | Year 3     |            | Year 4       |            | Year 5       |            |
|---|-------------------|------------|-----------|------------|------------|------------|------------|--------------|------------|--------------|------------|
| Costs and Losses                                    |                   |            |           |            |            |            |            |              |            |              |            |
| Costs of goods :                                    |                   |            |           |            |            |            |            |              |            |              |            |
| Goods   |                   | 0,00       |           | 0,00       |            | 0,00       |            | 0,00         |            | 0,00         |            |
| Supplies and external Services                      |                   | 12.000,00  |           | 101.650,00 |            | 193.100,00 |            | 461.450,00   |            | 640.350,00   |            |
| Employee Costs                                      |                   |            |           |            |            |            |            |              |            |              |            |
| Payroll   |                   | 25.858,59  |           | 85.608,00  |            | 171.216,00 |            | 466.254,14   |            | 637.470,14   |            |
| Charges on remunerations                            |                   | 6.141,41   |           | 20.331,90  |            | 40.663,80  |            | 112.890,88   |            | 153.554,68   |            |
| Others  |                   | 3.500,00   | 35.500,00 | 0,00       | 105.939,90 | 0,00       | 211.879,80 | 0,00         | 579.145,02 | 0,00         | 791.024,82 |
| Amortizations of the tangible and intangible assets |                   | 666,60     |           | 666,60     |            | 666,68     |            | 0,00         |            | 0,00         |            |
| Provisions  |                   |            | 666,60    | 666,60     |            | 666,68     |            | 0,00         |            | 0,00         |            |
| Taxes   |                   | 0,00       |           | 500,00     |            | 1.000,00   |            | 1.000,00     |            | 500,00       |            |
| Other costs   |                   |            | 0,00      | 500,00     |            | 1.000,00   |            | 1.000,00     |            | 500,00       |            |
| ( A )   |                   | 48.166,60  |           | 208.756,50 |            | 406.646,48 |            | 1.041.595,02 |            | 1.431.874,82 |            |
| Interests   |                   |            |           |            |            |            |            |              |            |              |            |
| Others  |                   | 0,00       |           | 0,00       |            | 0,00       |            | 0,00         |            | 0,00         |            |
| ( C )   |                   | 48.166,60  |           | 208.756,50 |            | 406.646,48 |            | 1.041.595,02 |            | 1.431.874,82 |            |
| Extra Costs   |                   |            |           |            |            |            |            |              |            |              |            |
| ( E )   |                   | 48.166,60  |           | 208.756,50 |            | 406.646,48 |            | 1.041.595,02 |            | 1.431.874,82 |            |
| Net profit after tax                                |                   | 0,00       |           | 0,00       |            | 3.126,87   |            | 22.908,87    |            | 39.320,93    |            |
| ( G )   |                   | 48.166,60  |           | 208.756,50 |            | 409.773,35 |            | 1.064.503,89 |            | 1.471.195,74 |            |
| Net profit for the year                             |                   | -48.166,60 |           | 16.223,50  |            | 40.186,65  |            | 60.396,11    |            | 103.664,26   |            |
|   |                   | 0,00       |           | 224.980,00 |            | 449.960,00 |            | 1.124.900,00 |            | 1.574.860,00 |            |
| Income  |                   |            |           |            |            |            |            |              |            |              |            |
| Sales:  |                   |            |           |            |            |            |            |              |            |              |            |
| Goods   |                   |            |           | 224.980,00 |            |            |            |              |            |              |            |
| Service repayments                                  |                   |            |           |            |            | 449.960,00 |            | 1.124.900,00 |            | 1.574.860,00 |            |
| Subsidies   |                   |            |           |            |            |            |            |              |            |              |            |
| Other operating income                              |                   |            |           |            |            |            |            |              |            |              |            |
| ( B )   |                   | 0,00       |           | 224.980,00 |            | 449.960,00 |            | 1.124.900,00 |            | 1.574.860,00 |            |
| Other interests and income                          |                   |            |           |            |            |            |            |              |            |              |            |
| Other   |                   |            |           |            |            |            |            |              |            |              |            |
| ( D )   |                   | 0,00       |           | 224.980,00 |            | 449.960,00 |            | 1.124.900,00 |            | 1.574.860,00 |            |
| Extraordinaire income                               |                   |            |           |            |            |            |            |              |            |              |            |
| ( F )   |                   | 0,00       |           | 224.980,00 |            | 449.960,00 |            | 1.124.900,00 |            | 1.574.860,00 |            |
| Summary:  |                   |            |           |            |            |            |            |              |            |              |            |
| Net operating profit/loss                           | ( B )-( A )=      | -48.166,60 |           | 16.223,50  |            | 43.313,52  |            | 83.304,98    |            | 142.985,18   |            |
| Net financial profit/loss                           | ( D - B )-( C-A)= | 0,00       |           | 0,00       |            | 0,00       |            | 0,00         |            | 0,00         |            |
| Current profit loss                                 | ( D )-( C )=      | -48.166,60 |           | 16.223,50  |            | 43.313,52  |            | 83.304,98    |            | 142.985,18   |            |
| Profit before tax                                   | ( F )-( E)=       | -48.166,60 |           | 16.223,50  |            | 43.313,52  |            | 83.304,98    |            | 142.985,18   |            |
| Net profit for the year                             | ( F )-( G)=       | -48.166,60 |           | 16.223,50  |            | 40.186,65  |            | 60.396,11    |            | 103.664,26   |            |

